

Implementing Mandatory Country of Origin Labeling

Dawn Thilmany McFadden

Country of origin labeling (COOL) has been a focus of food policy and industry discussions for over a decade, with similar legislation enacted by states who felt undue pressure from international competition (including Florida's 1980 law). COOL represents an interesting case of the changing role that government may play in establishing grades and standards in response to evolving consumer preferences for assurances about their food (Thilmany and Barrett, 1997). As is the case with most policy questions, understanding the challenges to COOL's implementation leads one to consider the political process behind the law (which flavors the spirit of how the law is being received) and resulting impacts to the domestic market and trade partners.

This theme issue on the implementation of Country of Origin Labeling addresses the role that the extended debate about COOL may have in terms of creating a somewhat divisive industry response, discussions about the pros and cons faced by consumers and supply chain enterprises, implications for industry performance and early indications of how the food industry and trade partners may respond.

In the first paper, Preston and Kim provide a succinct history of the legislation, overview the major elements of compliance, present details on the issues that received special attention and offer a brief discussion of the record-keeping requirements and enforcements plans. This narrative sets the stage for more specific discussions of how the various sectors have initially responded to the mandatory implementation.

In subsequent papers, Darrell Peel and Steve Meyer, explore the implementation in the beef and pork industries, respectively. Although there are many similarities in the challenges that these livestock sectors face, they diverge in their assessment of what issues present the greatest potential barriers. In his piece, Peel suggests that some of the greatest challenges will be in overseeing and enforcing this rule in an industry that remains fairly diffuse, especially at

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the cow-calf stage. Moreover, these new rules are not fully complementary to existing rules governing meat marketing. For pork, Meyer focuses more on the effects of consumer response, particularly in relation to competing meat sectors. He notes that the poultry industry is primarily domestic and integrated, so it will not face the same costs of transition and new tracking systems. And, since the response of consumers to multicountry labels (or potential increased demand for U.S. origin pork) is unknown, he suggests that the red meat industries are likely to lose some competitive position.

In his piece on the fruit and vegetable sector, John Van Sickle focuses more on the shifting estimates of compliance costs and broad range of estimates of the consumer demand response under new labeling systems. However, he notes that the true acceptance of this program will reveal itself after surveillance programs being in Spring 2009.

Each article does mention that the COOL process did see an evolution of requirements to mitigate at least some of the concerns about costs of compliance among food

industry enterprises. However, the uncertainty surrounding these costs remains high.

Beyond the uncertainty about consumer interest in COOL and the cost impacts that are likely to occur, there is the perception that trade partners may present further challenges to this program. As one example, in late 2008, the Government of Canada requested a meeting, pursuant to the World Trade Organization (WTO) agreement, concerning the U.S. implementation of mandatory Country-of-Origin Labeling (COOL) regulations for meat products. Following the implementation of COOL rules on Sept. 30, Canada cited adverse impacts in terms of Canada's ability to market livestock in the United States. The combined impact of the lower prices for Canadian cattle with the increased cost of transporting them

greater distances, plus processing on fewer days, is estimated to be about \$90 per animal: thus, the new U.S. COOL law results in approximately a \$400 million annual loss to the Canadian cattle industry.

In summary, this theme issue raises more questions than it may answer, but it does provide a fairly thorough context of the debates that are likely to continue through the early stages of COOL implementation. It is clear that each food sector may have a different focus in terms of what elements of COOL present threats to their competitiveness, but that research on each element of the economic and business strategy impacts (recordkeeping, surveillance, consumer response, consistency with other regulations) would be of significant value.

For More Information

Thilmany, D. and C. Barrett. Regulatory barriers in an integrating world food market. *Review of Agricultural Economics* 19 (Spring/Summer 1997): 91–107.

Dawn Thilmany McFadden (Dawn.Thilmany@colostate.edu) is a Professor of Agricultural Economics at Colorado State University.